

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7306

BILL NUMBER: HB 1622

DATE PREPARED: Dec 28, 2000

BILL AMENDED:

SUBJECT: Licensure of Home Inspectors.

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FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill has the following provisions:

A) It establishes the Indiana Home Inspectors Licensing Board to regulate home inspectors and associate home inspectors in Indiana.

B) The bill sets the qualifications for licensed home inspectors and associate home inspectors.

C) The bill also provides that a person who performs home inspections for compensation without a license commits a Class B infraction.

D) It requires that a civil action based upon the professional services of a licensed home inspector in Indiana must be filed within two years from the date of the act or omission that is the subject of the complaint.

Effective Date: Upon passage; July 1, 2001.

Explanation of State Expenditures: *Provision A:* There are two cost components of this bill according to the Professional Licensing Agency: the per diem and travel costs associated with the Board and additional support staff costs.

The new Board of seven members would have costs related to per diem and expenses of Board members. PLA estimates these costs to be \$10,000.

The PLA would provide a secretary to the Board to issue notices of meetings, and keep records of meetings, votes taken by the Board, and other proceedings and official acts. The agency already has an executive director who could serve in this role.

The proposal would allow the Board to license and renew licenses of home inspectors. Depending on the

number of home inspectors who would be licensed, the PLA may need to hire additional staff. If one additional staff person is added at the Clerical, Office Machine Operators and Technicians (COMOT 3) level at a salary of \$17,333 per fiscal year, the additional expenditure would be \$29,748 in FY 2002 and \$29,067 in FY 2003 (includes salary, fringe benefits, and indirect costs).

All expenses incurred in administering the Board shall be paid out of the State General Fund.

It is unknown how many home inspectors in Indiana would be licensed. However, there are 110 individuals who have business addresses in Indiana and are enrolled as either full members or candidates for membership of the American Society of Home Inspectors (ASHI). (ASHI is a professional organization for home inspectors with chapters nationwide.)

Explanation of State Revenues: *Provision A:* The proposal specifies the Board may establish fees along the guidelines of IC 25-1-8 (Occupational and Professional Licensure, Registration, and Certification Fees.) Revenue collected from fees remitted by licensees and applicants are deposited in the State General Fund. To estimate the cost of a license, the following assumptions are made: (1) there are 110 licensees statewide, and (2) the agency needs no additional staff. The minimum cost of a license would be \$91 to recover the cost of \$10,000 for Board member expenses. If a staff person is added at the COMOT 3 level, the total cost would be \$248.

Provision C: A person who performs home inspections for compensation without a license commits a Class B infraction. If additional court cases occur, revenue to the state General Fund may increase if infraction judgments and court fees are collected. The maximum judgment for a Class B infraction is \$1,000 which is deposited in the state General Fund. If court actions are filed and a judgment is entered, a court fee of \$70 would be assessed. 70% of the court fee would be deposited in the state General Fund if the case is filed in a court of record or 55% if the case is filed in a city or town court.

Explanation of Local Expenditures: *Provision A:* Some local governments are currently considering licensing home inspectors. If state licensure occurs, these local agencies could stop licensing locally and remove or reallocate staff resources.

Explanation of Local Revenues: *Provision A:* Some local governments are already licensing home inspectors. If state licensure occurs, these local agencies could stop licensing at the local level and no longer collect licensure fees.

Provision C: If additional court actions are filed and a judgment is entered, local governments would receive revenue from the following sources: (1) The county general fund would receive 27% of the \$70 court fee that is assessed in a court of record. Cities and towns maintaining a law enforcement agency that prosecutes at least 50% of its ordinance violations in a court of record may receive 3% of court fees. If the case is filed in a city or town court, 20% of the court fee would be deposited in the county general fund and 25% would be deposited in the city or town general fund. (2) A \$3 fee would be assessed and, if collected, would be deposited into the county law enforcement continuing education fund. (3) A \$2 jury fee is assessed and, if collected, would be deposited into the county user fee fund to supplement the compensation of jury members.

State Agencies Affected: Professional Licensing Agency.

Local Agencies Affected: Trial courts, local law enforcement agencies.

Information Sources: Kim Tarnacki, Professional Licensing Agency; American Society of Home Inspectors
(847) 759-2820.